



# City of Boston

## FY12 Recommended Budget

May 20, 2011



# **FY12 Budget Overview**

# City of Boston

## FY12 Recommended Budget as of 4/13/2011

### \$2.4 Billion



- Responsible plan that continues to move the City forward
- \$58.7 million or 2.5% increase from FY11 budget\*
- State aid revenue continues to decline
- Revenue growth in property tax and other recurring revenues
- Pensions and Debt Service increase by \$21.8 million (9%)\*
- Total departmental appropriations increase by \$11.6 million (0.7%)

*\*Comparisons exclude the one-time payment of \$82 million to pension fund in FY11*

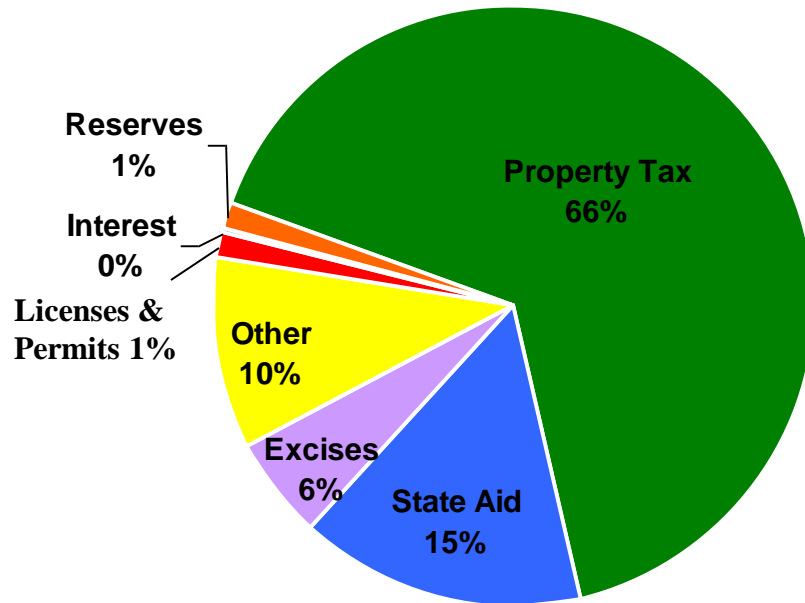
# City of Boston

## FY12 Recommended Budget as of 4/13/2011

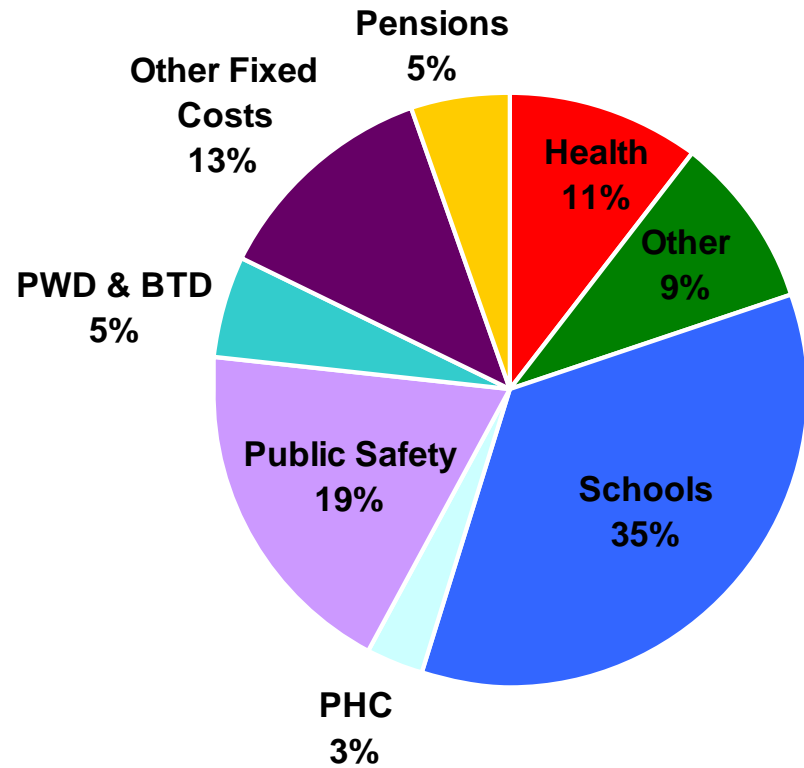
### \$2.4 Billion



### Major Revenue Sources



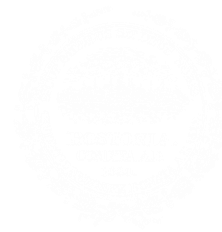
### Major Expenditure Areas



Note: Totals may not add due to rounding.

Health expenditures include \$35 million to fund OPEB liability.

Total health benefit costs, including those in Schools and PHC, are 13% of total expenditures.



# **FY12 Revenue**

# City of Boston

## FY12 Recommended Budget as of 4/13/2011

### Revenue



- State law requires the City to have a balanced budget each fiscal year
- Projected revenues form the basis for budget planning each year
- The FY12 revenue projection is based on the following broad-based assumptions:
  - Property tax will grow by the allowable 2 ½% annual increase and new growth will be lower than FY11
  - Excise taxes will increase with a slowly recovering economy. Excises will also benefit from Hotel taxes now available due to Convention Center debt refinancing.
  - Net State Aid declines by 15% in FY12

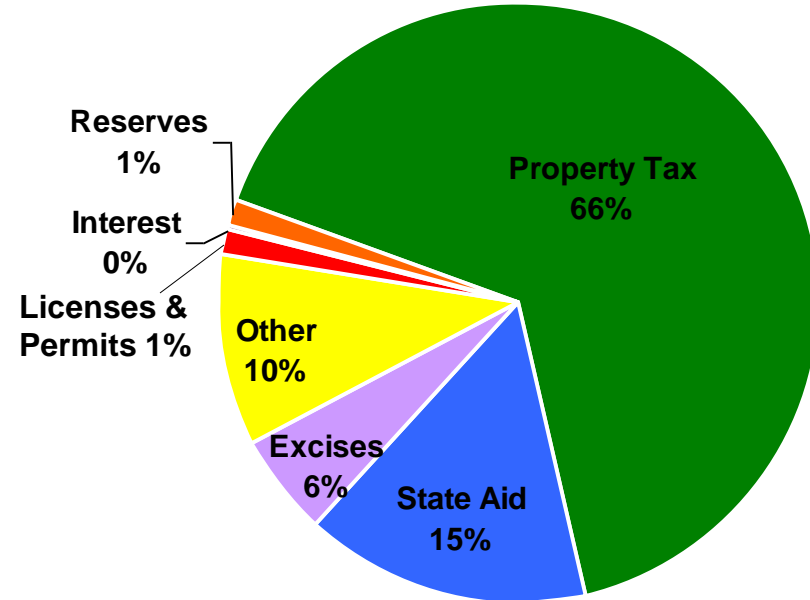
# City of Boston

## FY12 Recommended Budget as of 4/13/2011

### Revenues by Major Source



#### *Selected Major Revenue Sources*



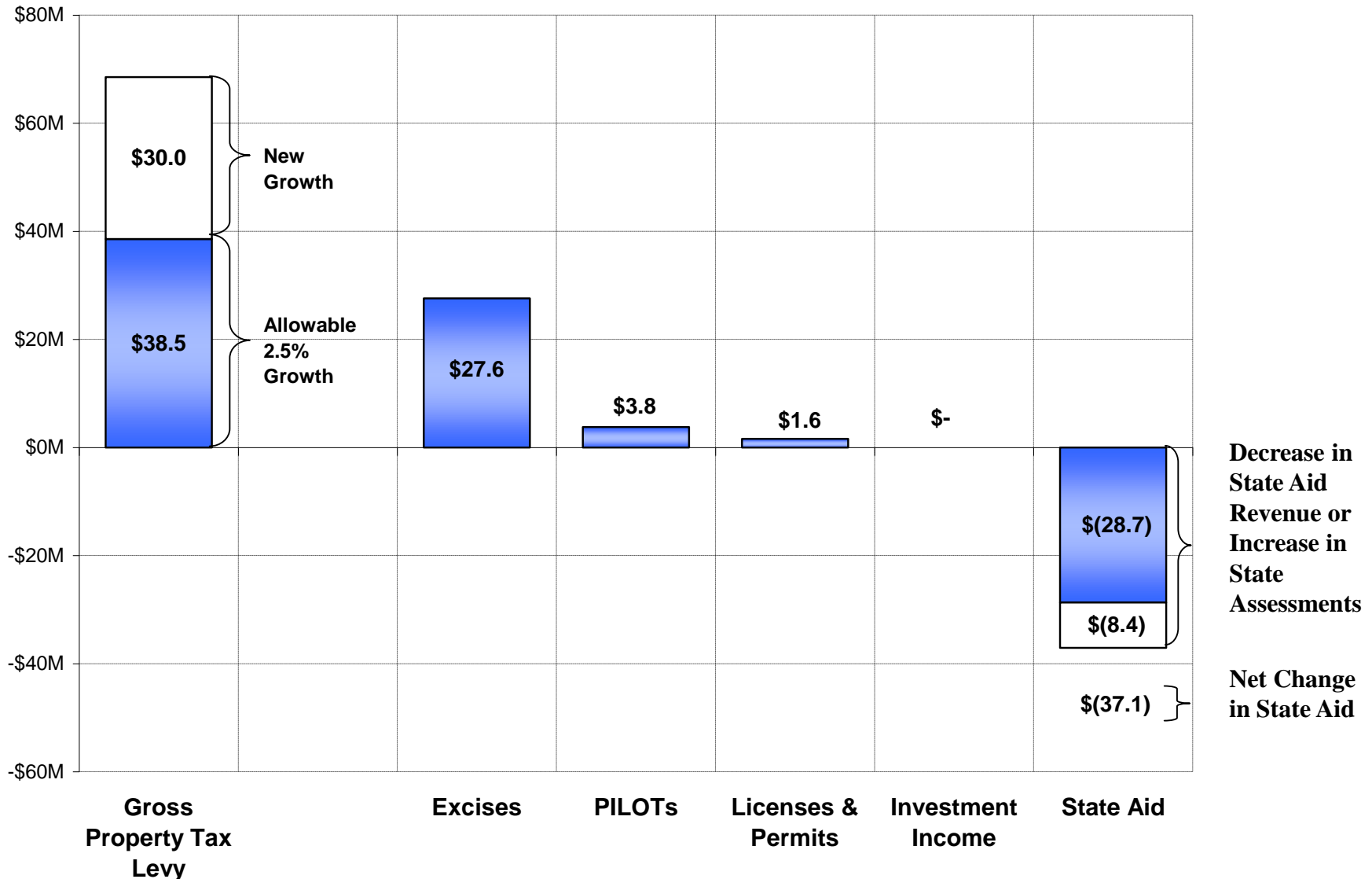
|                    |                 |
|--------------------|-----------------|
| Net Property Tax   | \$1,569,002,648 |
| Net State Aid*     | \$209,930,732   |
| Excises            | \$132,925,000   |
| Licenses & Permits | \$34,095,000    |
| Interest Income    | \$2,000,000     |
| Reserves           | \$35,000,000    |

\*Gross state aid is represented in the chart at left. Net state aid reflects gross state aid net of municipal charges or "assessments"

# City of Boston

## FY12 Projected Revenue Growth as of 4/13/2011

### Selected Major Sources





# Property Tax in Massachusetts



- State law limits local property tax growth to 2½% per year and 2½% of total assessed values in any year
- Boston has increased its tax levy by the maximum annual increase allowed since the limitation was imposed in the early 1980's
- The annual limit can be exceeded only by the amount of "New Growth", or new construction or alterations from the assessment date on which the levy is based (the assessment date lags the levy by nearly a year).
- In Boston, over 50% of land area is tax exempt (government, institutional, or non-profit)
- Boston's average single-family tax bill has risen by \$1,415 or 81.3% since FY02 to \$3,155 in FY11

# PILOTs

## (Payments in Lieu of Taxes)

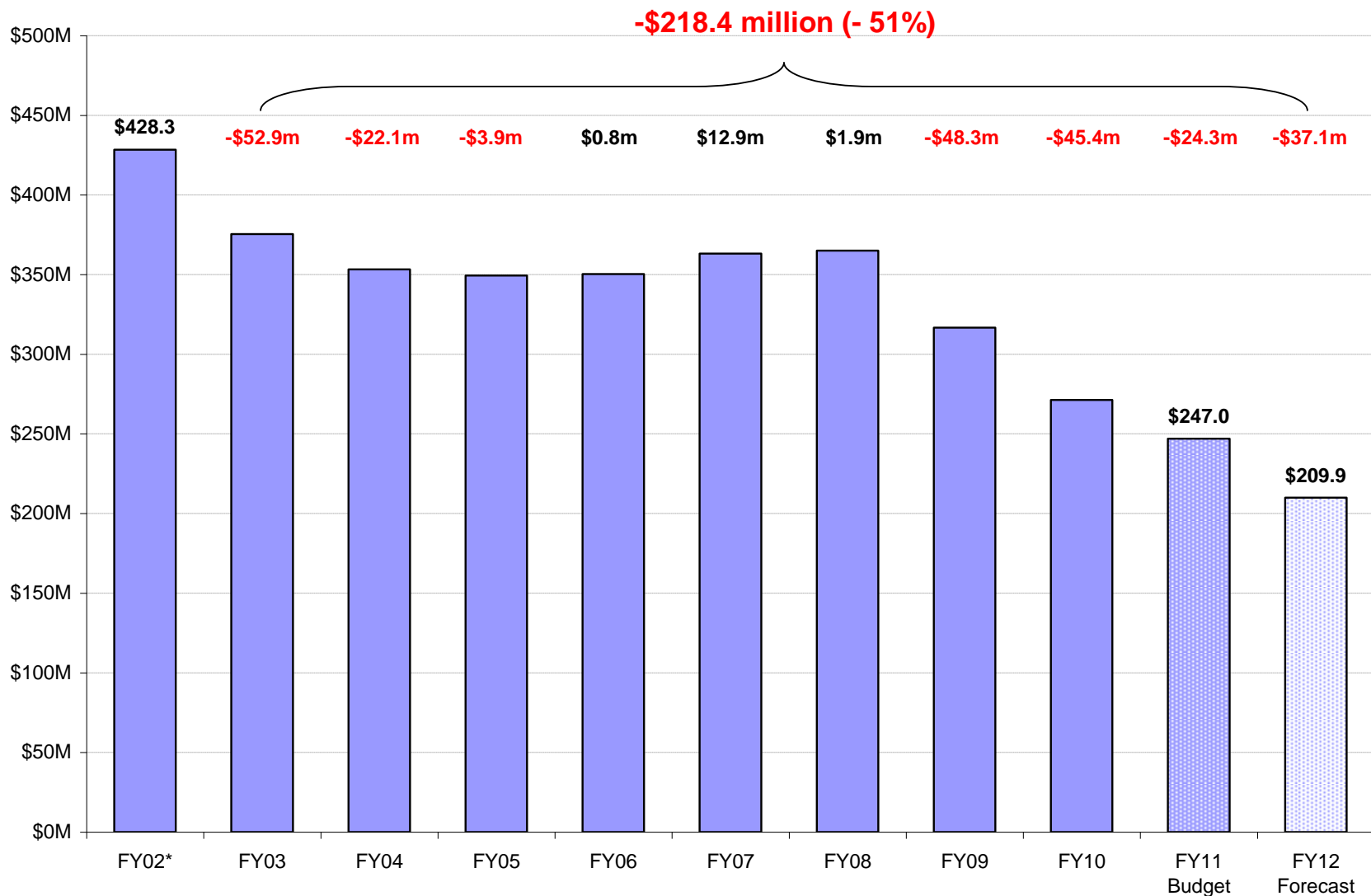


- FY12 PILOT revenue includes an increase for the estimated value of new and increased agreements as a result of the Mayor's PILOT taskforce
- Over 42% of FY12 PILOT revenue comes from the City's agreement with the Massachusetts Port Authority (MassPort)
- Other PILOTs include tax exempt medical, educational, and cultural institutions
- 40 institutions other than MassPort are included in FY12 revenue estimates

# City of Boston

## FY12 Recommended Budget as of 4/13/2011

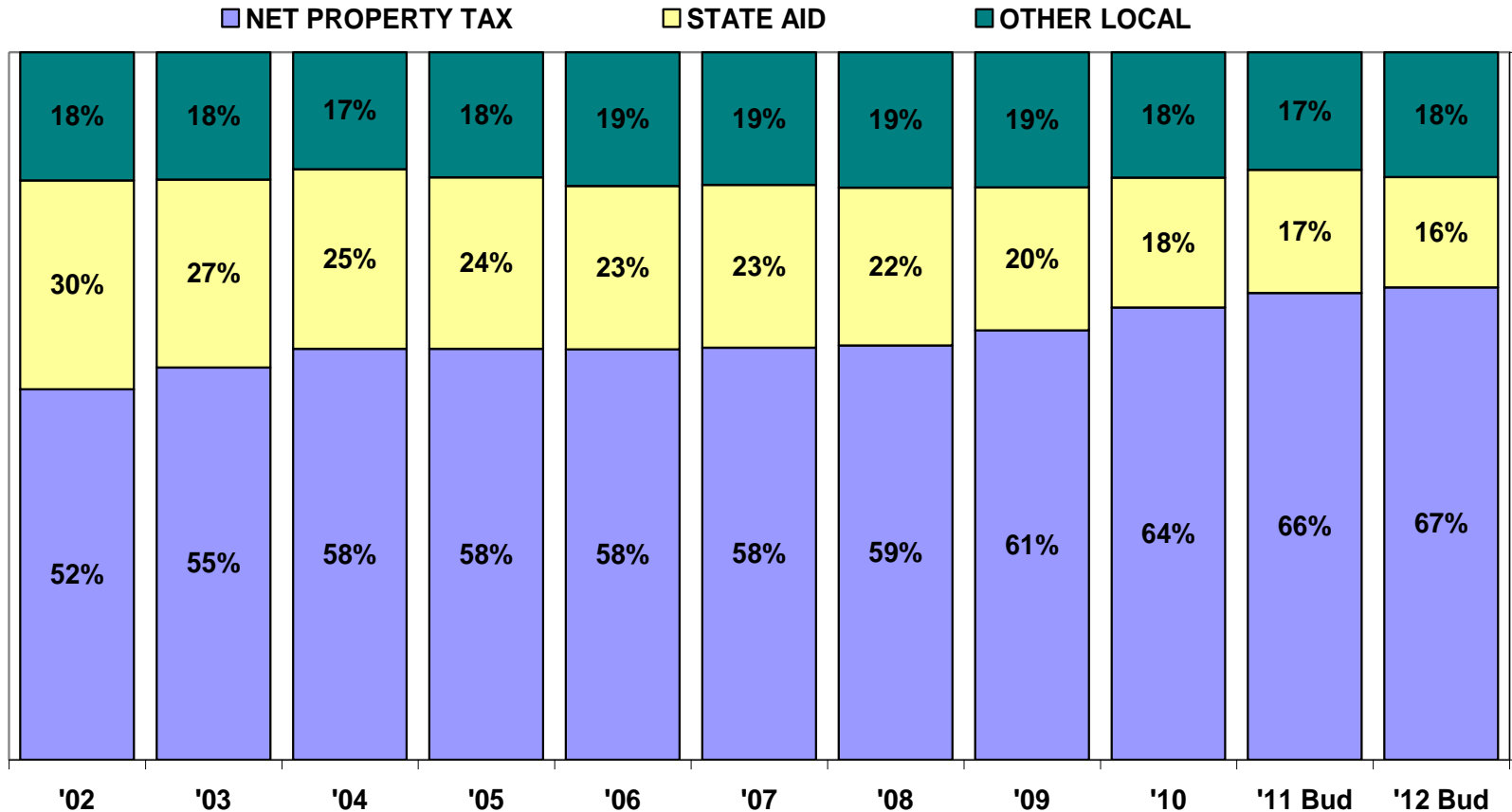
### Net State Aid History (\$nominal)

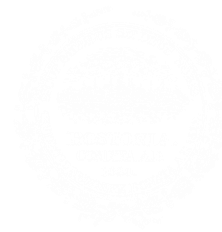


# City of Boston

## FY12 Recommended Budget as of 4/13/2011

### Major Components of Recurring Revenue





# **FY12 Expenditures**

# City of Boston

## FY12 Recommended Budget as of 4/13/2011

### Expenditures



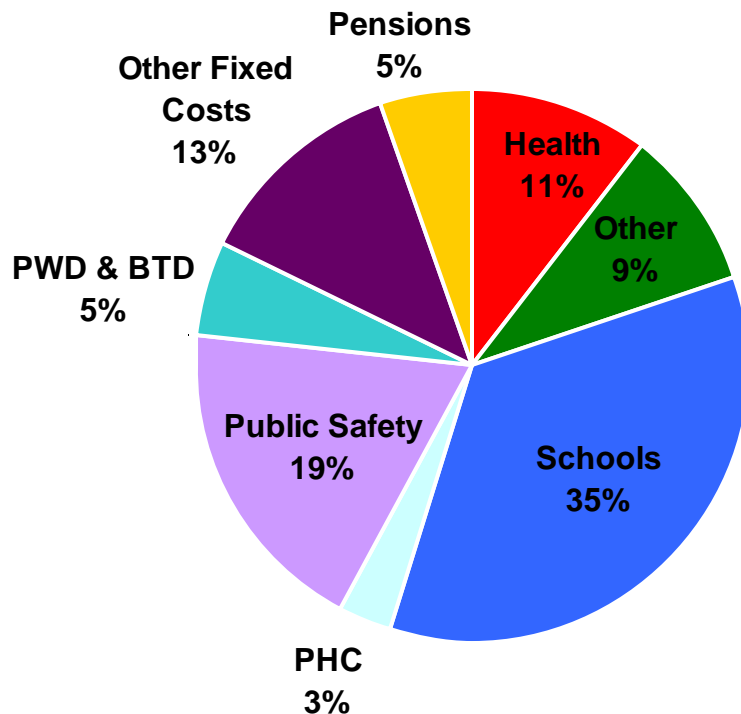
- Total departmental appropriations increase by \$11.6 million (0.7%)
- Pensions and Debt Service increase by \$21.8 million (9%)\*
- Budget relies on \$14 million in ARRA and Education Jobs Fund for BPD and BPS - these resources expire by the end of FY12

*\*Comparisons exclude the one-time payment of \$82 million to pension fund in FY11*



# FY12 Recommended Budget as of 4/13/2011

## Expenditures by Major Areas



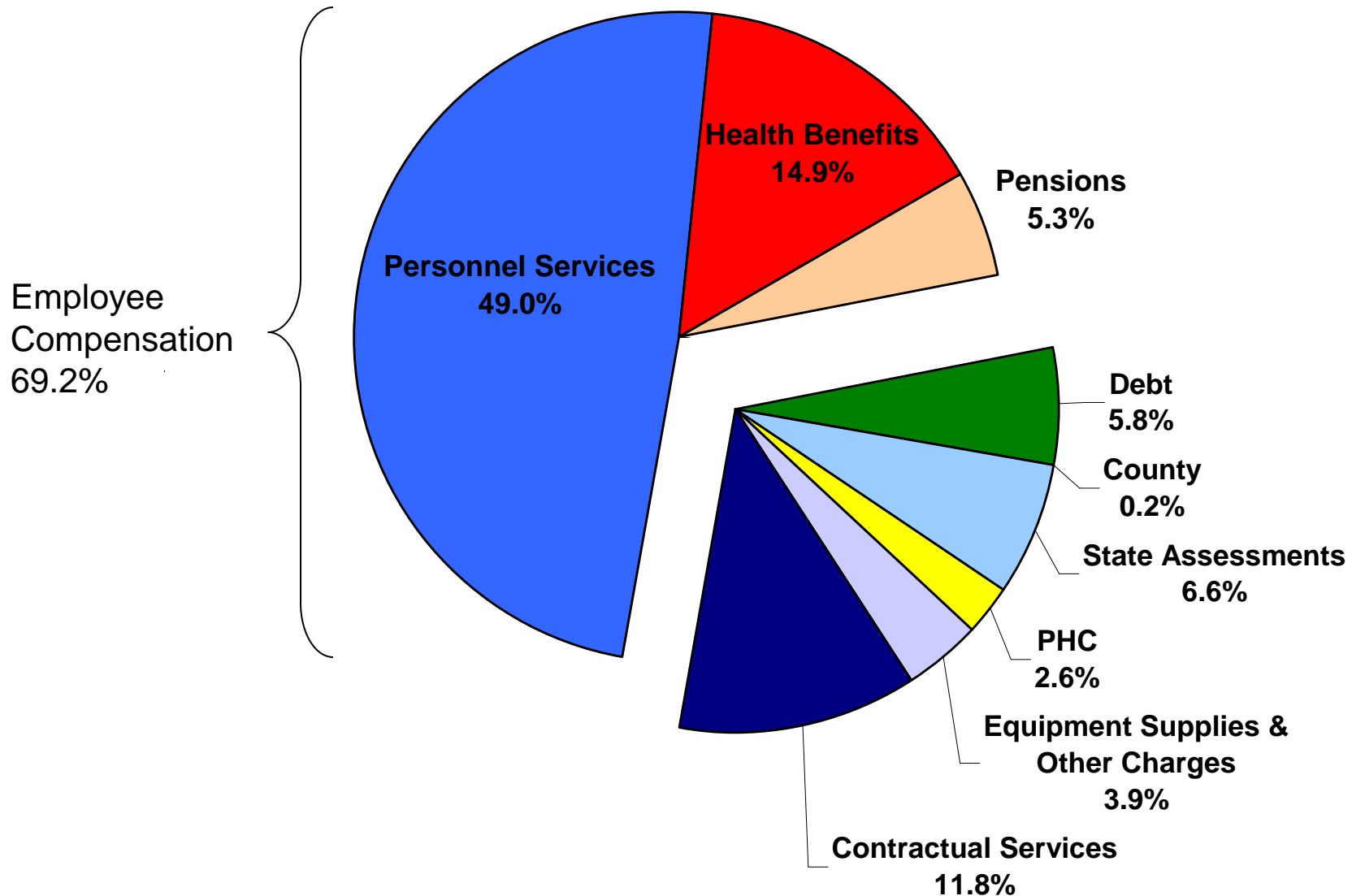
### *Selected Major Expenditure Areas*

|                                                    |               |
|----------------------------------------------------|---------------|
| Schools                                            | \$829,533,000 |
| Public Safety                                      | \$450,194,451 |
| PWD & BTM                                          | \$130,486,624 |
| Pensions                                           | \$126,546,494 |
| Other Fixed Costs*                                 | \$298,520,247 |
| *Includes Debt Service, State Assessments & County |               |



# FY12 Recommended Budget as of 4/13/2011

## Expenditures by Category

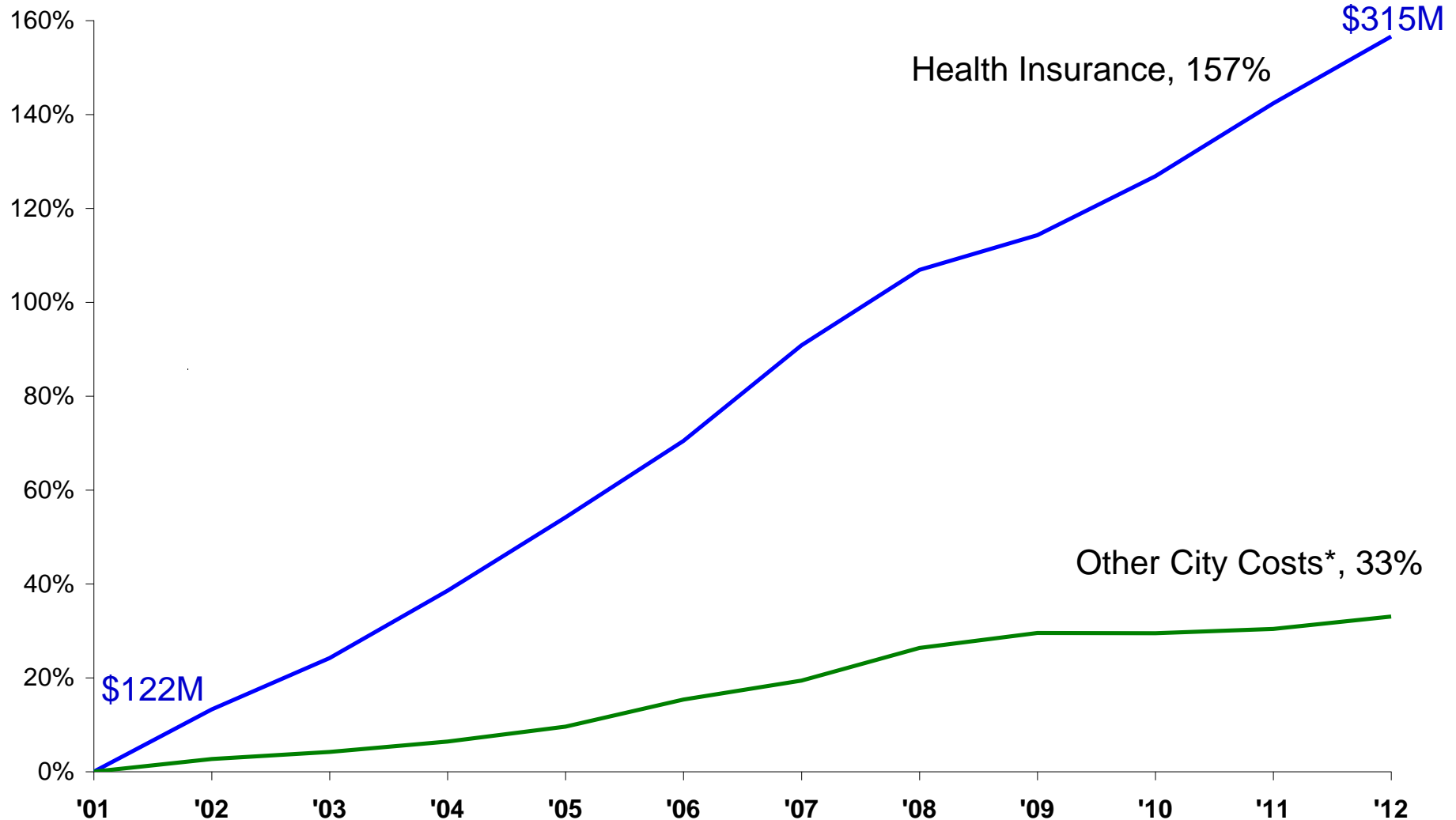






# **FY12 Health Insurance**

# Health Insurance Costs have more than doubled over the last decade



\*Adjusted for FY10 accounting change and FY11 one-time extraordinary pension payment.

# Health Insurance Reform Agreement



- The City will spend nearly \$315 million in health insurance premiums - over 13% of the total City budget.
- The tentative agreement signed by the City and its unions will contain the future growth of health insurance costs by approximately \$70 million over the next 4 years.
- Changes include a 2.5% increase in employee premium contribution (phased in over 2 years), specific co-payment increases, and a 1% increase in retiree contribution to Medicare health plans on the last day of the agreement.
- The agreement is contingent upon a change to the State laws affecting public employee health insurance prior to December 31, 2011.
  - The City Council has already adopted M.G.L. Chapter 32B, Section 19 ("Coalition Bargaining") to allow for the execution of an agreement, that agreement has been ratified by union membership, and the Public Employee Committee and the Administration have signed the agreement.

# Early Retiree Reinsurance Program



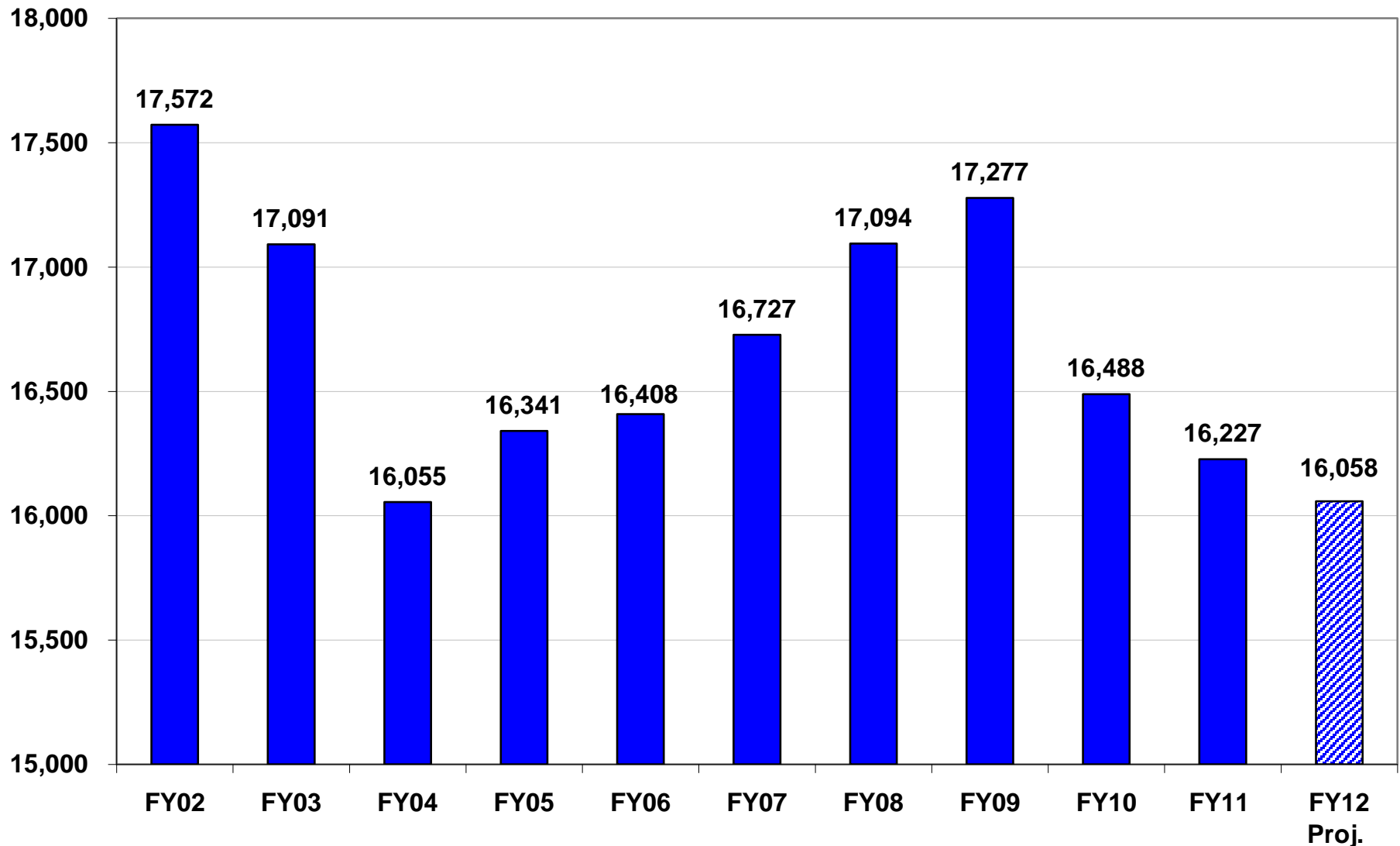
- As part of the Affordable Care Act, this federal program reimburses employers for high-cost claims of employees who have taken early retirement and are not yet enrolled in Medicare
- Program will end in 2014, but reimbursement of actual claims is on a first-come, first serve basis, and funds are projected to be insufficient to cover the full time period
- City of Boston's application estimated \$7 - \$9 million per year in eligible claims to be applied to following years' premiums
- Accept and expend order for funds received through the program to be filed with City Council
- Program requires formal notice to all employees



# **FY12 Personnel**

# Staffing History

## Full-Time Equivalent Positions as of January 1



# Staffing History – Select Departments

## Full-Time Equivalent Positions as of January 1

(General Fund except Library)



|                               | FY02  | FY11  | FY12 Proj. | FY12/FY02 |        |
|-------------------------------|-------|-------|------------|-----------|--------|
| Boston Public Schools         | 8,510 | 8,047 | 7,865      | (645)     | -7.6%  |
| Police (uniform)              | 2,161 | 2,162 | 2,180      | 19        | 0.9%   |
| Police (civilian)             | 803   | 742   | 740        | (63)      | -7.8%  |
| Fire                          | 1,698 | 1,572 | 1,566      | (132)     | -7.7%  |
| Public Works & Transportation | 889   | 724   | 728        | (161)     | -18.1% |
| Library (all funds)           | 620   | 413   | 413        | (207)     | -33.5% |
| BCYF                          | 376   | 351   | 335        | (41)      | -11.0% |
| Parks & Recreation            | 231   | 198   | 200        | (31)      | -13.4% |



# **FY12 Long Term Issues**





# Free Cash Certifications (Reserves)

- Free Cash must be certified by the Massachusetts Department of Revenue annually before it can be appropriated for use (MGL Chapter 59, section 23)
- Free cash is the expendable portion of the City's reserves
- FY12 Budget uses \$35 million (almost one-third of certified amount)

(\$millions)

| <b>Date<br/>Certified</b> | <b>Annual<br/>Amount<br/>Certified</b> | <b>Amount<br/>Appropriated from<br/>Certification</b> |
|---------------------------|----------------------------------------|-------------------------------------------------------|
| <b>Apr. 2008</b>          | <b>110.2</b>                           | <b>35.0</b>                                           |
| <b>Mar. 2009</b>          | <b>121.2</b>                           | <b>45.0</b>                                           |
| <b>Mar. 2010</b>          | <b>139.0</b>                           | <b>45.0</b>                                           |
| <b>Mar. 2011</b>          | <b>117.8</b>                           | <b>35.0</b>                                           |

# OPEB

## Other Post Employment Benefits



The City will appropriate \$35 million in FY12 towards the estimated \$4.7 billion OPEB liability.

(\$millions)

|              | <u>Irrevocable Trust</u> |
|--------------|--------------------------|
| <b>FY 08</b> | \$20                     |
| <b>FY 09</b> | \$25                     |
| <b>FY 10</b> | \$20                     |
| <b>FY 11</b> | \$35                     |
| <b>FY 12</b> | \$35                     |
|              | <u>\$135</u>             |